

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1701 – SB 1763

February 18, 2018

**SUMMARY OF ORIGINAL BILL:** Establishes a \$2.00 privilege tax, imposed on each customer, per each entry into an adult performance business. Defines “adult performance business” (APB) as a business that is: an adult-oriented establishment; provides live nude entertainment or live nude performances for an audience of two or more individuals; and permits the consumption of beer, wine, liquor, or other alcoholic beverages on the premises.

Requires each APB to keep a daily recording of the number of customers admitted to the business, and make such records available to the Department of Revenue (DOR) upon request.

Establishes the Sex Trafficking Victims Fund (the Fund). All revenue collected pursuant to the tax imposed by this legislation shall be allocated to the Fund, and shall remain with the Fund and not revert back to the General Fund. Specifies as the intent of the General Assembly that monies in the Fund be appropriated to the Department of Human Services (DHS) to provide services to victims of sex trafficking.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$372,300/Sex Trafficking Victims Fund

**SUMMARY OF AMENDMENT (013169):** Deletes and replaces all language after the enacting clause such that the only substantive changes are to:

1. Remove all language referencing the Sex Trafficking Victims Fund;
2. Remove DHS as the recipient of moneys appropriated from the Fund;
3. Establish that all revenue collected from the \$2.00 tax be allocated to the General Fund, instead of the Sex Trafficking Victims Fund;
4. Establish that the intent of the General Assembly is for an amount equal to the revenue collected from the tax be allocated to programs for victims of sex trafficking, subject to inclusion in the General Appropriations Act; and
5. Repeals all provisions of this legislation on July 1, 2021.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$372,300/Each Year FY18-19 through FY20-21

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Assumptions for the bill as amended:

- In 2008, Texas passed similar legislation which charged a \$5 fee per entrant to an APB.
- Texas has collected an annual average of approximately \$6,873,800 from approximately 1,374,760 entrants ( $\$6,873,800 / \$5$ ) to APBs.
- Texas has an estimated 192 APBs, for an average of 7,160 entrants per year per APB ( $1,374,760 / 192$ ). This equates to approximately 20 entrants per day per APB per year.
- Each Tennessee APB will experience approximately 7,160 entrants per year.
- Tennessee has an estimated 26 APBs.
- Tennessee APBs will experience 186,160 total entrants per year ( $7,160 \times 26$ ).
- All provisions of this legislation will be repealed on July 1, 2021.
- The increase in state revenue to the General Fund is estimated to be \$372,320 ( $186,160 \times \$2$ ) in each FY18-19 through FY20-21.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb